

Report of the Tucson City Golf Operational Review Subcommittee (TCGORS)

October 18, 2012

Over 10 meetings TCGORS comprised of 10 members, four from the Greens Committee, one from IAPC, and five citizen "stakeholders", discussed many items in order to meet the M/CC charge of (1) achieving a net positive cash balance at the end of the next two fiscal years; and, (2) within five years begin repaying its debt obligations to the COT for capital improvements realized earlier in the decade for major improvements on all five city golf courses.

The subcommittee **received information** from staff and selected city officials on land status, water use rates, play statistics, best estimates of yearly revenues and expenses, and a list of assets that are part of the Golf Enterprise Fund. Presently, Randolph and Dell Urich are cash positive, Silverbell is essentially meeting expenses, while Fred Enke and especially El Rio, have negative cash values.

TCGORS discussed divergent views to understand and resolve three issues affecting TCG:

- (a) TCG fully maintaining and operating the courses;
- (b) Privatization (leasing public property and the management thereof); and,
- (c) The outright sale of a golf course(s).

Major items discussed:

1. Pursuing more "aggressive" marketing (*more information forthcoming from TCG staff*) in order to become cash positive in 2 years.
2. Changing the current management model or staff.
3. Privatization or leasing of courses (any and all).
4. Reducing expenses by obtaining lowered costs for effluent water (supplemental to existing awards, discounts and allowances).
5. Closing El Rio or Fred Enke entirely, "mothballing", or shortening course yardage or composition.
6. Seek support for El Rio First Tee from Conquistadores or COT.
7. Use of assets within the Enterprise fund to cover the debt.
8. Use of city services to decrease TCG expenses (continue waiver of administrative fee's for accounting, purchasing, or human resources); and otherwise, elimination of depreciation—change from Enterprise Fund to Special Revenue Fund, if and when appropriate.
9. Discussed junior or youth golf value "vouchers" or "credit" from COT for high schools and under age 18 golfers.
10. Discussed tee times utilization and consolidating numerous discount offers.

Responding to the issues at hand, **votes were taken** on the following items:

1. As M/CC voted in October, 2010, not to privatize, TCGORS again voted not to privatize any one or all of TCG's five golf courses (vote 6-2 on 10-10-12).
2. Voted to continue with present management and TCG Enterprise Fund for the next two years (vote 6-2 on 10-10-12).
3. Seek from COT Water additional discounts for effluent water, while honoring existing discounts and contract allowances (vote 8-0 on 9-12-12).
4. Use the land asset of the Civano property to erase the debt by the 5th year by any of the following options: sell, lease, develop frontage property, or all property. This could be done in escrow, whereby COT can rezone and sell the land at a higher market value in the future (vote 8-0 on 9-25-12).
5. Develop and implement an "aggressive" marketing plan which includes new plans from the Golf Professionals (vote 8-0 on 9/25/12).

TCGORS submits these five consensus issues for consideration in an effort to meet the fiscal charges and challenges confronting TCG while maintaining the golf courses as public assets. TCG supports public and philanthropic endeavors such as Junior Golf and the First Tee Program. Our courses are poised to benefit from other course closures and offer the golfer an enhanced golfing experience given the fact that capital improvements have mostly been realized.

Bearing the recommendations voted on above, **unresolved issues** remain for El Rio and Fred Enke and the subcommittee included these considerations:

El Rio:

- Shorten course to 9 or an 18 whole "executive" course.
- Turn the course over to COT, Parks and Recreation.
- Retain driving range and smaller select holes for First Tee Program.
- Develop, sell, or lease remaining acreage with proceeds going to TCG.

Fred Enke:

- Change to a 9 hole course only.
- Shorten course to a 9 hole, Par 3 format.
- Develop, sell, or lease remaining acreage with proceeds going to TCG.

No "consensus vote" was reached regarding specific recommendations for the El Rio or Enke golf courses; however the **subcommittee spoke favorably of retaining both courses** with perhaps some structural modifications or changes needed in order to decrease expenses and earn revenues against the debt.

If the City feels the need to remove a course from the system, El Rio is the course that has contributed the greatest accumulated debt. If El Rio's losses were not part of TCG for the last 5 years, the cash balance for TCG proper would be cash positive (starting in 2008); and, being 300K plus per year over the last 3 years. This includes actual play, revenue and expenses in all cases. *(Reference Supplemental Report, TCG, Profit and Loss 2007-2012).*

Respectfully submitted,

TCGORS